

VZCZCXR06717

RR RUEHAG RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN RUEHLZ
RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHBW #0711/01 1280711
ZNR UUUUU ZZH
R 080711Z MAY 06
FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC 8520
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/USDOC WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEHZN/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 BELGRADE 000711

SIPDIS

SIPDIS

DEPARTMENT PASS TO OPIC, EXIM, TDA AND USAID
USDOC FOR 4232/ITA/MAC/OEERIS/SSAVICH

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [KPAQ](#) [ETRD](#) [EINV](#) [EAID](#) [PGOV](#) [MW](#) [SR](#)

SUBJECT: MONTENEGRO: ECONOMIC DEVELOPMENTS: APRIL 2006

Index:

MACROECONOMICS:

-- Indebtedness below European limit
-- Low Inflation in Early 2006
-- Industrial Production Rises

BUSINESS and TOURISM:

-- Microsoft Satisfied with Software Legalization Results
-- Montenegro Airlines Shows Modest Profit
-- Winter Tourism Up
-- Ada Bojana: Longer Lease Term to be Offered

PUBLIC ECONOMY:

-- Unemployment Steady
-- Real Wages Rise

T-BILLS

STOCKS

MACROECONOMICS:

Indebtedness below European Limit

[¶1.](#) Montenegro's public debt at the end of 2005 amounted to Euros 700 million or 43 percent of gross domestic product (GDP), which according to the Ministry of Finance is below the maximum allowed level in the EU. In 2002, public debt was 88 percent of GDP. According to Maastricht criteria, the total debt of the public sector must not cross 60 percent of GDP.

Low Inflation in Early 2006

[¶2.](#) According to the Central Bank of Montenegro (CBCG), the January inflation rate in Montenegro was 0.2 percent; inflation in February was 0.1 percent.

Industrial Production Rises

[¶3.](#) According to MonStat (the Montenegro Statistic Bureau), in the first three months of 2006, industrial production rose by 4.4 percent when compared to the same period last year, while March production was 11.3 percent higher than in the prior month.

BUSINESS and TOURISM:

Microsoft Satisfied with Software Legalization Results

[¶4.](#) Microsoft is working with the GoM and with private business to increase the use of licensed software in

Montenegro. After two months, Microsoft said it was satisfied with the legalization campaign, with the entire public sector covered, as well as the telecommunication sector, financial institutions, and all larger companies as well as a significant number of small and medium size enterprises. The campaign officially closed on May 1, to be followed by full implementation of the Law on the Enforcement of Intellectual Property Rights.

Montenegro Airlines Shows Modest Profit

¶ 5. Montenegro Airlines' income in 2005 was almost Euros 42.8 million, yielding a profit of approximately Euros 50,590. Last year Montenegro Airlines had 470,000 passengers, which is 28 per cent more than in 2004. The company is scheduled to be privatized this year,

Winter Tourism Up

¶ 6. The Ministry of Tourism estimates that total income from winter tourist season in Montenegro this year should range from Euros 13 to Euros 15 million, which is 30 to 50 per cent more than in 2005. During the winter, Montenegro was visited by 49,700 tourists, which is 28.4 per cent more than last year. The Ministry added that 400,000 foreign tourists are expected during the summer season this year.

Ada Bojana: Longer Lease Term to be Offered

¶ 7. The GoM will seek to offer a longer lease term for the lease of Ada Bojana, up from 30 years to 45 years. The longer lease term will make the planned construction of a number of four- and five-star hotels more attractive to serious investors. The extension of the offered lease term was made after intervention with the GoM by the Consulate.

BELGRADE 00000711 002.2 OF 002

PUBLIC ECONOMY:

Unemployment Steady

¶ 8. The GoM said unemployment was steady at 18.6 percent, or 15.1 percent lower than last year at this time.

Real Wages Rise

¶ 9. The average net monthly wage in March was Euros 236, up two percent from February. Retail prices rose 0.1 percent, and the consumer basket for a family of four rose 0.8 percent to Euros 267. (MonStat data)

T-BILLS

¶ 10. One auction of Treasury bills, with a total face value of EUR 1.0 million, was held in March (note: data lags by one month). The average weighted annualized interest rate for the auction held in March amounted to 0.97 percent. The lowest accepted interest rate at the auctions held in February was 0.80 percent while the highest accepted interest rate was 1.00 percent. Participants at the auctions included local banks.

STOCKS

¶ 11. The NEX20 index of the Nex Montenegro Stock Exchange ended the month of April up 2.9 percent, at 10,554.47. The Moste index of Montenegroberza declined 1.0 percent to 482.726 in April. The steadiness in the markets, after the sharp (400%) growth in 2005, reflects the completion of major privatizations and a lull before the next tranche. Major components of the NEX20 include the privatized Telekom CG and Jugopetrol; major components of the Moste include aluminum smelter KAP and vineyard Plantaze. Note: The Montenegrin exchanges are still nascent, and the level of capitalization represented is small although rising (NEX

capitalization at the end of 2004 was Euros 495 million; at the end of November 2005 it was Euros 1,410 million).

POLT